METHOD OF AND MEANS FOR TEACHING ACCOUNTING CONCEPTS AND PROCEDURES

FIELD OF THE INVENTION

THIS INVENTION relates to a method of and means for teaching accounting concepts and procedures.

BACKGROUND TO THE INVENTION

Double entry accounting is the only system widely used now in commerce and industry for maintaining the books of a commercial enterprise. A difficulty in teaching accounting revolves around elucidating the concepts of debit and credit. Confusion frequently arises in understanding whether the entry to be made is a debit or credit entry and where the entries are to be made in respect of a specific transaction. Confusion also arises in respect of the interpretation of financial statements where the meaning of the numbers given is not understood.

The present invention seeks to overcome difficulties involved in teaching these basic accounting concepts.

BRIEF DESCRIPTION OF THE INVENTION

According to one aspect of the present invention there is provided a method of teaching accounting principles in which two different colours are used to

distinguish that which is owned and owed from that which has been used and earned thereby to establish the concept of double entry accounting, question sets are used to distinguish assets, liabilities, income and expenditure from one another to facilitate their proper treatment in books of account, and words other than commonly accepted accounting words are used to denote accounting concepts.

BRIEF DESCRIPTION OF THE DRAWINGS

For a better understanding of the present invention, and to show how the same may be carried into effect, reference will now be made, by way of example, to the accompanying drawings.

DETAILED DESCRIPTION OF THE DRAWINGS

The method according to the present invention will now be described with reference to the annexed Figures.

Figure 1

The students are presented with a blank sheet 10 representing the situation before any transactions are conducted in the business.

Figure 2

The students divide the sheet 10 into halves by means of a vertical line and write “owe” and “own” on opposite sides of the line. The happy and sad faces are to indicate whether entries on opposite sides of the line are “good” or “bad”. Specifically owning something is good, owing something is bad.

Figure 3

The students are then provided with "bank notes" of different colours representing amounts owed and the value of things owned. Students record transactions in a diary which represents the traditional accounting journal.

Figure 4

The last item provided to the students is a transaction diary 14. The transaction diary 14 has entered in it, in narrative non-accounting format, a description of the events that are being "accounted for" by the student.

Figure 5

The students are now ready to start learning accounting concepts and the first is that of the bank balance. Figure 5 demonstrates that the bank balance will be R9400 if the money "owned" is R10000 and the money "owed" is R600. The concept of a notional basket for containing assets, liabilities etc is introduced. This concept is intended to assist the student in grasping that in accounting like must be kept with like. Eventually the concept of a "basket" converts to an understanding by the student of the concept of accounts of various types.

Figure 6

The initial borrowing of working capital is then dealt with showing that the asset of R110,000 on the owned side of the line, and which is in the business, is balanced by the owe liability on the other side of the line. The types of money discussed with respect to Figure 3 are placed on opposite sides of the line 12 as

visual representations of owe and own.

Figure 7

The concept introduced here is that of a physical place in which transactions occur. These transactions alter the assets and liabilities in the work place has been designated a "scrapyard" and results in profits or losses. Eventually the concept of these changes occurring over a period of time converts in the student's mind to an income statement.

Figure 8

This introduces the concept of "profit" being the difference in what is owned and what is owed.

Figure 9

This merely changes the student's view of owe and owned to the more usual concepts of assets and liabilities.

Figure 10

The way in which owner's equity is related to assets and liabilities is taught based on this Figure.

Figure 11

This demonstrates how income and expenditure are used to give the profit recorded in the preceding Figures.

Figure 12

The way in which a balance sheet as at a specific date is created is demonstrated by this Figure.

Figure 13

The fact that accounts are taken out and balanced at predetermined intervals is taught based on this Figure.

Figures 14 to 17

These demonstrate the way in which the closing balances of one accounting period are carried forward as opening balances of the next accounting period.

Figures 18 to 21

These are used to elucidate the decision process which is applied to each transaction to determine what type of transaction it is, whether it influences the balance sheet or income statement, and whether it results in an increased or decrease in whichever basket the amount is allocated to.

The transactions are accompanied by the placing of notes (Figure 3) of the appropriate colour and value to show illustrate that there is an increase or a decrease in the value of the asset, liability etc.

Whilst the sheets on which the Figures are drawn and the notes can

be physical elements, it is also possible for the system to be computerized. Each Figure is then available as a computer screen and the program can be programmed to enable visual images of notes of appropriate value and colour to be brought onto the screen as required.